



8011-01P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-96639; File No. SR-LTSE-2022-06]

Self-Regulatory Organizations; Long-Term Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Continuing Education Requirements

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January 11, 2023.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 30, 2022, Long-Term Stock Exchange, Inc. (“LTSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to adopt new LTSE Rule 2.153 and amend LTSE Rules 2.154 and 2.160. The proposed rule changes are based on changes made by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to its Continuing Education Program<sup>3</sup> (the “CE Program” or the “CE Transformation Initiative”).

The text of the proposed rule change is available at the Exchange’s website at <https://longtermstockexchange.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Rel. No. 93097 (September 21, 2021), 86 Fed. Reg. 53358 (September 27, 2021) (Order Approving File No. SR-FINRA-2021-015 regarding the CE Transformation Initiative) (the “Approval Order”).

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The proposed rule change incorporates the elements of the FINRA CE Transformation Initiative that are scheduled to take effect on January 1, 2023.<sup>4</sup> Specifically, those changes (i) require registered persons to complete CE Regulatory Element<sup>5</sup> annually for each representative or principal registration category that they hold; and (ii) expressly allow firms to consider other required training toward satisfying an individual's annual CE Firm Element and extend the Firm Element requirement to all registered persons.

The Exchange sets forth certain continuing education requirements for persons associated with a Member which are based on certain FINRA rules.<sup>6</sup> The proposed rule change seeks to amend certain LTSE rules to more closely mirror the corresponding FINRA rules, as amended as part of the CE Transformation Initiative. The proposed rule change does not make any substantive changes to LTSE rules other than those to incorporate changes previously made by FINRA.

First, the proposed rule change would (i) adopt as new LTSE Rule 2.153, the exact provisions previously provided in LTSE Rule 2.160(m) regarding associated persons of a Member that are not required to register with the Exchange. The Exchange believes that relocating these provisions into a standalone rule would more closely align the structure of

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<sup>4</sup> See Securities Exchange Act Rel. No. 94515 (March 24, 2022), 87 Fed. Reg. 18419 (March 30, 2022) (Order approving SR-LTSE-2022-02 whereby LTSE adopted those elements of the FINRA CE Transformation Initiative that were implemented on March 15, 2022).

<sup>5</sup> The terms CE Regulatory Element and CE Firm Element shall have the same meaning as in FINRA Rule 1240.

<sup>6</sup> See supra note 4.

LTSE's Rule Book with FINRA's, which has the standalone FINRA Rule 1230 (Associated Persons Exempt from Registration).

Second, the proposed rule change would amend LTSE Rule 2.154 to incorporate all of FINRA Rule 1240, not just the provisions that became effective on March 15, 2022.<sup>7</sup> Additionally, as part of the broader incorporation, LTSE has added language to note that references to FINRA Rules 1210 and 1220 are to be construed to reference the applicable corresponding provisions of LTSE Rule 2.160. The proposed rule language also clarifies that such references to FINRA Rules 1210 and 1210 will not result in expansion of or changes to LTSE's registration categories as currently provided for in Rule 2.160. The proposed rule change also would eliminate the sentence in LTSE Rule 2.154 that states "References to FINRA Rule 1240(a)(2) shall refer to the LTSE Rule 2.160(p)(1) (Regulatory Element)" because it is no longer applicable.

Third, the proposed rule change would delete paragraphs (m) and (p) from LTSE Rule 2.160. As discussed above, paragraph (m) is being replaced by new LTSE Rule 2.153, and paragraph (p) is being replaced by proposed LTSE Rule 2.154.<sup>8</sup>

Fourth, the proposed rule change would add paragraph (o) back to LTSE Rule 2.160. The removal of this paragraph in the Exchange's prior filing related to the CE Transformation Initiative<sup>9</sup> was in error. Reinstating paragraph (o) (Lapse of Registration and Expiration of SIE) to LTSE Rule 2.160 aligns the Exchange's rules to FINRA Rule 1210 Supplementary Material .08 (Lapse of Registration and Expiration of SIE), which covers substantially similar matters. The reinstated Rule 2.160 is also being proposed to include cross references to proposed LTSE

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<sup>7</sup> Id.

<sup>8</sup> See FINRA Rules 1210 and 1240. In FINRA Regulatory Notice 21-41 (November 17, 2021), FINRA announced the amendment of Rules 1210 and 1240, noting implementation dates, March 15, 2022 (with respect to paragraph (c) of Rule 1240 and Supplementary Material .09 to Rule 1210)); January 1, 2023 (all other rule changes).

<sup>9</sup> See supra note 4.

Rule 2.154 as discussed above, in keeping with FINRA Rule 1210 Supplementary Material .08's references to FINRA Rule 1240. The Exchange believes these cross reference updates to account for references to FINRA Rule 1240 further aligns the Exchange's rules with the relevant FINRA rules.

Fifth, the proposed rule change updates internal LTSE rule references to reflect changes in LTSE's rules pursuant to the proposed rule change. Specifically, references to Rule 2.160(p) in paragraphs (e) and (g) of Rule 2.160 and Rule 9.218(a) are being updated as references to the proposed Rule 2.154.

FINRA's CE Transformation Initiative is being implemented in phases. The first phase was implemented on March 15, 2022 and provides eligible individuals who terminate any of their representative or principal registration categories the option of maintaining their qualification for any terminated registration categories by completing annual continuing education through a new program, the Maintaining Qualifications Program ("MQP"). The first phase also provides that, as of March 15, 2022, LTSE will not accept any new initial designations for individuals under its Financial Services Affiliate Waiver Program ("FSAWP").<sup>10</sup>

The second phase, which is being addressed the proposed rule change, would (i) require registered persons to complete continuing education Regulatory Element annually for each representative or principal registration category that they hold; and (ii) expressly allow firms to consider other required training toward satisfying an individual's annual continuing education Firm Element and extend the Firm Element requirement to all registered persons. The proposed rule change, consistent with this phase of FINRA's CE Transformation Initiative, will be implemented January 1, 2023. These changes, as further discussed below, are part of a larger

initiative in which LTSE is aligning the structure of its registration, continuing education and supervision rules with those of FINRA.<sup>11</sup>

(i) Transition to an Annual Regulatory Element for Each Registration Category

FINRA amended FINRA Rule 1240 under the CE Transformation Initiative to require registered persons to complete the Regulatory Element training of the CE Program annually by December 31. Firms, however, would have the flexibility to require their registered persons to complete the Regulatory Element training sooner than December 31, which would allow firms to coordinate the timing of the Regulatory Element with other training requirements, including the Firm Element.<sup>12</sup> FINRA Rule 1240 preserves FINRA's ability to extend the time by which a registered person must complete the Regulatory Element for good cause shown if requested in writing and with supporting documentation.<sup>13</sup> Consistent with prior requirements, individuals who fail to complete their Regulatory Element within the prescribed period would be automatically designated as "CE inactive" <sup>14</sup> in FINRA's Central Registration Depository ("CRD") system<sup>15</sup> until the requirements of the Regulatory Element have been satisfied.<sup>16</sup>

As amended under the CE Transformation Initiative, FINRA Rule 1240 also tailors the content of the Regulatory Element to each registration category. Thus, registered persons would be required to complete content specifically designed for each representative or principal registration category that they hold.<sup>17</sup> FINRA Rule 1240 includes five additional elements such that: (1) Individuals who are designated as CE inactive would be required to complete all of

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<sup>11</sup> Id.

<sup>12</sup> See supra note 3, at 53358.

<sup>13</sup> See FINRA Rule 1240(a)(2).

<sup>14</sup> Id.

<sup>15</sup> See <https://www.finra.org/registration-exams-ce/classic-crd>. As stated on its website, FINRA integrated the registration filing functionality that supports the CRD Program into FINRA Gateway, available at <https://www.finra.org/filing-reporting/finra-gateway>. The standalone CRD features were retired August 21, 2021.

<sup>16</sup> See supra note 3, at 53359.

<sup>17</sup> See FINRA Rules 1240(a)(1) and (a)(4).

their pending and upcoming annual Regulatory Element, including any annual Regulatory Element that becomes due during their CE inactive period, to return to active status;<sup>18</sup> (2) the two-year CE inactive period would be calculated from the date individuals become CE inactive, and would continue to run regardless of whether individuals terminate their registrations;<sup>19</sup> (3) individuals who become subject to a significant disciplinary action may be required to complete assigned continuing education content as prescribed by FINRA;<sup>20</sup> (4) individuals who have not completed any Regulatory Element content for a registration category in the calendar year(s) prior to reregistering would not be approved for registration for that category until they complete that Regulatory Element content, pass an examination for that registration category, or obtain an unconditional examination waiver for that registration category, whichever is applicable;<sup>21</sup> and (5) the Regulatory Element requirements would apply to individuals who are registered, or are in the process of registering as a representative or principal.<sup>22</sup>

(ii) Recognition of Other Training Requirements for Firm Element and Extension of Firm Element to All Registered Persons

FINRA Rule 1240(b) requires a firm to develop and administer an annual Firm Element training program for its covered registered persons.<sup>23</sup> The Firm Element must, at a minimum, include training in ethics and professional responsibility, as well as training in the following items concerning securities products, services, and strategies offered by the member: (1) General investment features and associated risk factors; (2) suitability and sales practice considerations; and (3) applicable regulatory requirements.<sup>24</sup> Firms are required to conduct an annual needs analysis to, at minimum, determine the appropriate Firm Element training for

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<sup>18</sup> See supra note 3 at 53359.

<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

<sup>23</sup> See FINRA Rule 1240(b).

<sup>24</sup> Id.

covered registered persons at the firm based on the specific business of the member, and then provide the Firm Element training annually.<sup>25</sup>

As amended under the CE Transformation Initiative, FINRA Rule 1240(b) allows for recognition of the successful completion of existing firm training programs relating to the anti-money laundering compliance program and the annual compliance meeting toward satisfying an individual's annual Firm Element requirement.<sup>26</sup> FINRA also amended the rule to extend the Firm Element requirement to all registered persons, including individuals who maintain solely a permissive registration consistent with FINRA Rule 1210.02, thereby further aligning the Firm Element requirement with other broadly-based training requirements.<sup>27</sup> FINRA also updated the minimum training criteria under FINRA Rule 1240(b) to provide that Firm Element training must cover topics related to the role, activities, or responsibilities of the registered person, as well as professional responsibility.<sup>28</sup>

To align with the changes discussed in subsections (i) and (ii) above, proposed new LTSE Rule 2.154 states that LTSE Members and associated persons of a Member shall comply with FINRA Rule 1240, as if such Rule were part of the Exchange's rules.

## 2. Statutory Basis

LTSE believes that its proposal is consistent with Section 6(b) of the Act<sup>29</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>30</sup> in particular, in that it is designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove

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<sup>25</sup> Id.

<sup>26</sup> See FINRA Rule 1240(b)(2)(D).

<sup>27</sup> See FINRA Rule 1240(b)(1).

<sup>28</sup> See FINRA Rule 1240(b)(2)(B).

<sup>29</sup> 15 U.S.C. 78f.

<sup>30</sup> 15 U.S.C. 78f(b)(6).

impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

As noted above, the proposed rule change seeks to align the Exchange's Rules with certain changes to FINRA rules which have been approved by the Commission.<sup>31</sup> The Exchange believes the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Act,<sup>32</sup> which requires, among other things, that Exchange Rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 6(c)(3) of the Act,<sup>33</sup> which authorizes the Exchange to prescribe standards of training, experience and competence for persons associated with the Exchange. The proposed changes are based on the changes approved by the Commission in the Approval Order,<sup>34</sup> and the Exchange is proposing to adopt such changes substantially in the same form proposed by FINRA with respect to the continuing education program. The Exchange believes the proposal is consistent with the Act for the reasons described above and for those reasons cited in the Approval Order.<sup>35</sup>

The Exchange believes that enhancements to FINRA's CE program, including the shift to an annual Regulatory Element should lead to consistent, updated training, enhance a firm's regulatory compliance and reduce a firm's overall regulatory risk because of the increased timeliness and relevance of the more tailored content provided through an annual training, thus facilitating overall investor protection.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

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<sup>31</sup> See Approval Order, supra note 3.

<sup>32</sup> 15 U.S.C. 78f(b)(5).

<sup>33</sup> 15 U.S.C. 78f(c)(3).

<sup>34</sup> See Approval Order, supra note 3.

<sup>35</sup> Id.



Exchange believes that the proposed rule change, which harmonizes its rules with rule changes adopted by FINRA, will reduce the regulatory burden placed on market participants engaged in trading activities across different markets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.<sup>36</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that this proposed rule change may become operative immediately upon filing. In addition, Rule 19b-4(f)(6)(iii)<sup>37</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

Waiver of the 30-day operative delay will allow the Exchange to implement the proposed changes to its continuing education and registration rules without delay, thereby eliminating the material differences between FINRA and Exchange continuing education rules, providing more

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<sup>36</sup> 17 CFR 240.19b-4(f)(6).

<sup>37</sup> 17 CFR 240.19b-4(f)(6)(iii).

uniform standards across the securities industry, and helping to avoid ongoing confusion for Exchange Members that are also FINRA members. For this reason, the Commission believes that waiver of the 30-day operative delay for this proposal is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>38</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-LTSE-2022-06 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Vanessa Countryman, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

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<sup>38</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-LTSE-2022-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of LTSE and on its Internet website at <https://longtermstockexchange.com/>.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-LTSE-2022-06 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>39</sup>

Sherry R. Haywood,  
Assistant Secretary.

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<sup>39</sup> 17 CFR 200.30-3(a)(12).